

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 AID-05 CEA-01 CIAE-00 COME-00
EB-08 EA-12 FRB-01 INR-07 IO-14 NEA-10 NSAE-00
USIA-15 OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01
AGRE-00 OMB-01 NSC-05 STR-07 DOE-11 SOE-02 /140 W
-----102216 311734Z /43

R 311529Z JAN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 5016
INFO ALL OECD CAPITALS

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USOECD

PASS: E FOR COOPER; CEA FOR CHAIRMAN SCHULTZE; TREA-
SURY FOR BERGSTEN; OECD CAPITALS ALSO FOR PUBLIC AFFAIRS
OFFICERS; EMBASSIES ALSO PASS CONSULATES

E.O. 11652: N/A
TAGS: OECD, ECON
SUBJECT: VAN LENNEP SPEECH AT CHATHAM HOUSE

1. MISSION WOULD LIKE TO DRAW ADDRESSEES ATTENTION TO
A THOUGHTFUL SPEECH PRESENTED BY OECD SECRETARY-GENERAL
VAN LENNEP TO THE UK ROYAL INSTITUTE OF INTERNATIONAL
AFFAIRS (CHATHAM HOUSE, LONDON) ON JANUARY 24. COPIES
OF THE SPEECH HAVE BEEN POUCHED TO EUR/RPE (GELBARD)
FOR WASHINGTON DISTRIBUTION AND TO ADDRESSEE POSTS.

2. IN A COGENT AND CONCISE FASHION, VAN LENNEP OPENS
HIS SPEECH WITH AN OUTLINE OF THE MAIN ELEMENTS OF THE
GENERAL STRATEGY FOR ATTAINING NON-INFLATIONARY, SUS-
TAINED GROWTH IN THE OECD AREA. HE THEN HIGHLIGHTS
FOUR PROBLEM AREAS:

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-- ENERGY, CITING THE URGENT NEED FOR AN EFFECTIVE U.S.
ENERGY POLICY, NOT ONLY IN THE INTEREST OF THE U.S.
BUT AS A VITAL FACTOR IN THE WORLD ECONOMY.

-- INVESTMENT, CITING THE NEED TO IMPROVE PROFIT LEVELS,
RESTORE DEMAND, THUS CAPACITY UTILIZATION, AND MINI-
MIZE BUSINESS UNCERTAINTY.

-- BOP ADJUSTMENTS, CITING THE FAILURE OF COUNTRIES TO ACHIEVE SUFFICIENT DIFFERENTIATION IN POLICIES ACCORDING TO THEIR RESPECTIVE CIRCUMSTANCES, WITH SPECIAL EMPHASIS ON THE NEED FOR POLICIES WHICH RECOGNIZE THE INTERNATIONAL DIMENSION OF NATIONAL ACTION.

-- STRUCTURAL ADAPTATION, CITING THE DANGER OF PURELY DEFENSIVE POLICY REACTIONS TO PRESSURES ON SPECIFIC SECTORS. DEFENSIVE POLICIES, HE CONTENTS, USUALLY SUPPORT THE LEAST COMPETITIVE BRANCHES OF THE ECONOMY AND INTRODUCE GREATER RIGIDITY, SLOWING NEEDED STRUCTURAL CHANGE. VAN LENNEP ARGUES STRONGLY FOR POSITIVE AND FORWARD-LOOKING POLICIES WHICH ENCOURAGE NEW AND PROMISING ACTIVITIES RATHER THAN SIMPLY PROLONG THE LIFE OF WEAK COMPANIES OR SECTORS.

3. IN CONCLUSION, VAN LENNEP SUMMARIZES HIS ASSESSMENT OF THE SITUATION AND HIS PRESCRIPTION FOR TODAY'S POLICY NEEDS: BEGIN QUOTE: "THE PROSPECTS FOR 1978 ARE NOT FULLY SATISFACTORY IN SEVERAL RESPECTS. WE ARE FACING A COMPLEX SET OF INTER-RELATED CONJUNCTURAL AND STRUCTURAL PROBLEMS AT BOTH THE NATIONAL AND INTERNATIONAL LEVEL. THEY ARE GOING TO BE WITH US FOR SEVERAL YEARS TO COME.

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INFO OCT-01 ISO-00 SS-15 AID-05 CEA-01 CIAE-00 COME-00
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R 311529Z JAN 78
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THERE IS NO SINGLE OR SIMPLE SOLUTION. IT IS QUITE WRONG TO SUGGEST THAT ALL OUR PROBLEMS WOULD BE SOLVED IF ONLY COUNTRY X WOULD TAKE SOME MORE EXPANSIONARY ACTION, OR COUNTRY Y WOULD LAUNCH A MORE VIGOROUS ATTACK ON ITS STRUCTURAL PROBLEMS, OR COUNTRY Z WOULD DO MORE ABOUT INFLATION - ALTHOUGH, OF COURSE, EACH OF THESE MAY BE NECESSARY ELEMENTS OF AN EFFECTIVE OVERALL RESPONSE TO THE SITUATION. WHAT IS NEEDED IS COORDINATED AND COHERENT ACTION, NATIONAL AND INTERNATIONAL, OVER A WHOLE RANGE OF POLICIES, INCLUDING, IN PARTICULAR:

FIRST, APPROPRIATE MONETARY, FISCAL AND, IN SOME CASES, PRICES AND INCOMES POLICIES, TO ENCOURAGE INVESTMENT AND MAINTAIN A SUSTAINED RECOVERY WITHOUT RE-IGNITING INFLATION.

SECOND, A DIFFERENTIATION OF MONETARY, FISCAL AND EXCHANGE RATE POLICIES AS BETWEEN OECD COUNTRIES SO AS TO REDUCE PAYMENTS DISEQUILIBRIUM IN THE SHORT RUN AND PROMOTE STRUCTURAL READJUSTMENTS OVER THE LONGER RUN.
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THIRD, MORE EFFECTIVE ENERGY POLICIES, PARTICULARLY IN THE UNITED STATES, BUT ALSO IN OTHER COUNTRIES.

FOURTH, ACTION AT THE NATIONAL AND INTERNATIONAL LEVEL TO MOVE AWAY FROM A PURELY DEFENSIVE RESPONSE TO SECTORAL PROBLEMS AND TO IMPLEMENT INDUSTRIAL, REGIONAL, LABOUR MARKET AND SOCIAL POLICIES IN SUCH A WAY AS TO FACILITATE NECESSARY AND DESIRABLE STRUCTURAL CHANGES AT A SOCIALLY ACCEPTABLE PACE." END QUOTE
KATZ

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